

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7039

BILL NUMBER: HB 1397

NOTE PREPARED: Jan 12, 2009

BILL AMENDED:

SUBJECT: Buy American Tax Credit.

FIRST AUTHOR: Rep. Niezgodski

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides the Buy American Investment Tax Credit for individuals and small businesses who purchase construction equipment, farm tractors, motor vehicles, or tractors that are certified by the Economic Development Corporation (IEDC) to have been made in America. It requires the IEDC to certify that construction equipment, farm tractors, motor vehicles, and tractors are made in America if they are assembled in America, have engines and transmissions assembled in America, and have at least 70% parts content that is made in America.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The Department of State Revenue will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit. The Department's current level of resources should be sufficient to implement this change.

Indiana Economic Development Corporation (IEDC): This bill requires the IEDC to certify that construction equipment, a farm tractor, a motor vehicle, or a tractor is made in America if it was assembled in America, the engine or transmission was assembled in America, or at least 70% of the parts were made in America. The IEDC must provide a certificate of eligibility for the Buy American Tax Credit to taxpayers who present proof of purchase of these products. These provisions may require additional IEDC staff time, but it is unknown to what extent. As of October 31, 2008, the IEDC had seven vacant positions.

Explanation of State Revenues: *Summary* - This bill will reduce revenue to the General Fund by an indeterminable amount beginning in FY 2011.

Background Information - This bill provides a tax credit to taxpayers receiving certificates of eligibility for the Buy American Tax Credit awarded by the IEDC and could potentially reduce revenue from the individual and corporate Adjusted Gross Income (AGI) tax, the Insurance Premiums Tax (IPT), and the Financial Institutions Tax (FIT) by an indeterminable amount. The certificates of eligibility are obtained by making qualified investments in construction equipment, farm tractors, motor vehicles, and tractors that are considered to be made in America by the IEDC. The tax credit is equal to the number of qualified investments made by the taxpayer multiplied by \$1,000. If 50,000 taxpayers make at least one qualified investment and claim \$1,000, then revenue would be reduced by \$50 M. If 100,000 taxpayers make at least one qualified investment and claim \$1,000, then revenue would be reduced by \$100 M.

The tax credit may not be carried forward, carried back, or refunded. The tax credit is effective beginning in tax year 2010, so the fiscal impact could begin in FY 2011. Revenue from the AGI Tax on individuals and corporations, the IPT, and the FIT is distributed in the state General Fund.

Definitions: This bill defines “qualified taxpayer” as (1) an individual who resides in Indiana and has state tax liability; or (2) a corporation, a partnership, a limited liability company, a limited liability partnership, or other entity that is domiciled in Indiana, is a small business, and has state tax liability.

The bill defines “qualified investment” as the purchase of new construction equipment, new farm tractor, new motor vehicle, or new tractor that (1) has never been placed into service or used by another person; and (2) is certified by the IEDC to have been made in America.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IEDC.

Local Agencies Affected:

Information Sources: Ryan Asberry, IEDC, 317-232-8962; *State of Indiana HRM Detail Staffing Report*, 10/31/08.

Fiscal Analyst: Jessica Harmon, 317-23-9854.